

**Tasking Memorandum No. 00-45**

**Memorandum For Distribution**

**Subject:** Reporting Requirement For Restructuring Costs Under Defense Contracts  
For Fiscal Year 2000 (TASKING)

**Date:** November 18, 1999

**Suspense Date:** January 25, 2000

**Target Audience:** Corporate Administrative Contracting Officers (CACOs) and  
Administrative Contracting Officers (ACOs) involved in contractor restructuring.

**Requirements:**

- Section 804 of the National Defense Authorization Act for Fiscal Year 1998 (Public Law 105-85) requires the Secretary of Defense to submit yearly reports to Congress on restructuring activities no later than March 1 in each of the years 1998 through 2002 for the preceding calendar year. The Defense Contract Management Command (DCMC), in coordination with Defense Contract Audit Agency (DCAA), has been tasked by the Director, Defense Procurement to collect information for the Fiscal Year 2000 report (copy attached).
- CACOs and ACOs will require DCAA assistance in collecting data. Headquarters, DCAA will send similar instructions to their cognizant field audit offices. Therefore, please coordinate with DCAA's field audit office and ensure report data sent to DCMC Headquarters is consistent with their report.
- The information should be provided in the following format.

**PART I**

For each business combination occurring on or after August 15, 1994, for which DoD has paid restructuring costs, provide the following information in the chart below: (1) the DoD share of estimated restructuring costs and savings that were expected to be achieved on defense contracts at the time of USD(AT&L) certification or determination, and (2) the DoD share of estimated restructuring costs and savings associated with the restructuring that have been realized as of the end of calendar year 1999.

The eight business combinations that occurred from August 15, 1994 through December 31, 1999, for which DoD has paid restructuring costs, are listed below for your convenience. Add to the list any additional business combinations that meet these criteria and were certified by USD(AT&L) subsequent to the date of this memorandum. Provide clarifying comments in footnotes, as considered necessary. Round dollar amounts to the nearest tenth of a million, e.g., \$123.4 million.

		DoD Share of Estimated Restructuring Costs and Savings (Dollars in Millions)			
		At Time of Certification <sup>1</sup>		Actual Experience <sup>2</sup>	
Business Combination	Date of Bus Comb	Costs	Savings <sup>3</sup>	Paid Costs	Realized Savings <sup>3</sup>
Northrop/Grumman/ Vought <sup>4</sup>	Aug 31, 1994				
GM Hughes Electronics CAE-Link <sup>5</sup>	Feb 25, 1995				
Lockheed Martin Marietta <sup>6</sup> Electronics, Info & Space Sector Corporate ADO & MMSI / LESC Total	Mar 15, 1995				
Northrop Grumman Westinghouse / Norden <sup>7</sup>	Mar 01, 1996				
Lockheed Martin Loral Electronics Sector	Apr 23, 1996				
Raytheon Company/ Chrysler Technologies <sup>8</sup>	June 14, 1996				
Boeing Company/Rockwell International Aerospace and Defense /McDonnell Douglas <sup>9</sup>	Dec 6, 1996 Aug 4, 1997				
Raytheon Company/Texas Instruments Defense Systems and Electronics Group/Hughes Aircraft <sup>10</sup>	July 11, 1997 Dec 17, 1997				
TOTAL					

### **Footnotes:**

1. The DoD share of estimated restructuring costs and savings at the time of certification are projected for a five-year period only; however, savings are expected to continue beyond the five-year period. Costs and savings amounts are shown on a present value basis.
2. Actual experience is the DoD share of estimated restructuring costs paid and estimated savings realized as of December 31, 1999.
3. Savings are gross amounts.

4. Costs and savings data relating to the Vought Aircraft Co. portion of the business combination, which occurred on August 31, 1994, cannot be segregated from the costs and savings related to the Northrop/Grumman business combination, which occurred on April 18, 1994.
5. The Raytheon Company merged with Hughes Aircraft Company (part of GM Hughes Electronics) on December 17, 1997. Due to this merger and subsequent reorganization actions taken by Raytheon, actual costs and savings data beyond first quarter 1998 were based on audit estimates.
6. The Lockheed/Martin Marietta restructuring was accomplished in phases:
  - a. Electronics, Information & Technology Services, and Space & Missile Sectors.
  - b. Corporate
  - c. Advanced Development Operations (ADO), Martin Marietta Services, Inc. (MMSI), and Lockheed Engineering & Services Company (LESC)
7. Costs and savings related to Northrop Grumman Corporation's acquisition of Westinghouse Electric Corporation's Electronic Systems Group and its associated subsidiaries, including Norden Systems, which occurred on March 1, 1996, cannot be segregated from the costs and savings related to Westinghouse Electric Corporation's acquisition of Norden Systems, Inc., which occurred on May 31, 1994.
8. Costs and savings data related to Raytheon Company's acquisition of the Airborne Systems, Inc. and Electrospace Systems, Inc. business units of Chrysler Technologies, Inc. on June 14, 1996.
9. Costs and savings data related to Boeing Company's acquisition of Rockwell International Corp.'s Aerospace & Defense Units, which occurred on December 6, 1996, cannot be segregated from costs and savings related to Boeing Company's merger with McDonnell Douglas Corp., which occurred on August 4, 1997.
10. Costs and savings data related to Raytheon Company's acquisition of Texas Instruments Inc.'s Defense Systems and Electronics Group, which occurred on July 11, 1997, cannot be segregated from the costs and savings related to Raytheon Company's merger with Hughes Aircraft Company, which occurred on December 17, 1997.

## **PART II**

For each business combination occurring on or after August 15, 1994, for which DoD has paid restructuring costs, provide a discussion of whether the business combination would have proceeded without the payment of restructuring costs by DoD. This information should be requested from the contractor. Do not resubmit contractor responses provided in previous reports.

- PLAS Code 047A, Contractor Restructuring Associated with a Business Combination, should be used for this effort.
- Please provide the information electronically to Mr. William Hill at the e-mail address noted below no later than the close of business, January 25, 2000.

**Point of Contact for Further Information:**

Mr. William Hill

DCMC-OA

**(703) 767-3388** or DSN 427-3388

[william\\_hill@hq.dla.mil](mailto:william_hill@hq.dla.mil)



JILL E. PETTIBONE

Executive Director

Contract Management Operations

Attachment

ACQUISITION AND  
TECHNOLOGY

## OFFICE OF THE UNDER SECRETARY OF DEFENSE

3000 DEFENSE PENTAGON  
WASHINGTON DC 20301-3000

October 26, 1999

DP (CPF)

MEMORANDUM FOR COMMANDER, DEFENSE CONTRACT MANAGEMENT COMMAND  
DIRECTOR, DEFENSE CONTRACT AUDIT AGENCYSubject: <Reporting Requirement For Restructuring Costs Under  
Defense Contracts For Fiscal Year 2000

Section 804 of the National Defense Authorization Act for Fiscal Year 1999 (Public Law 105-85) requires the Secretary of Defense to submit reports to Congress, on restructuring activities for each of the years 1998 through 2002. To comply with this requirement for FY 2000, please provide the information described in the attached instructions to this office, Att'n: OUSD(AT&L) DP/CPF, not later than February 4, 2000. Company confidential financial information should be protected and handled as FOR OFFICIAL USE ONLY. Request that the Defense Contract Management Command coordinate its report with the Defense Contract Audit Agency and submit a single consolidated report.

It is essential that the above due date be met to ensure timely reporting to Congress. If you, have any questions concerning this reporting requirement, please contact Mr. Ted Godlewski at (703) 695-6322.

Eleanor R. Spector  
Director, Defense ProcurementAttachment:  
As stated'

# INSTRUCTIONS FOR REPORTING RESTRUCTURING COSTS AND SAVINGS I FOR FY 2000

## PART I

For each business combination occurring on or after August 15, 1994, for which DoD has paid restructuring costs, provide the following information in the chart below:

- (1) The DoD share of estimated restructuring costs and savings that were expected to be achieved on defense contracts at the time of USD(AT&L) certification or determination, and
- (2) The DoD share of estimated restructuring costs and savings associated with the restructuring that have been realized as of the end of calendar year 1999.

The five business combinations that occurred from August 15, 1994 through December 1999, for which DoD has paid restructuring costs, are listed below for your convenience. Add to the list any additional business combinations that meet these criteria and were certified by USD(AT&L) subsequent to the date of this memorandum. Provide clarifying comments in footnotes, as considered necessary. Round dollar amounts to the nearest tenth of a million, e.g., \$123.4 million.

Business Combination	Date of Bus. Comb.	DoD Share of Estimated Restructuring Costs and Savings (Dollars in Millions)			
		At Time of Certification <sup>1</sup>		Actual Experience <sup>2</sup>	
		Costs	Savings <sup>3</sup>	Paid Costs	Realized Savings <sup>3</sup>
Northrop / Grumman / Vought <sup>4</sup>	Aug 31, 1994				
GM Hughes Electronics / CAE-Link	Feb 25, 1995				
Lockheed / Martin Marietta: <sup>5</sup> Electronics, Info. & Space Sectors Corporate ADO & MMSI / LESC Total	Mar 15, 1995				
Northrop Grumman / Westinghouse / Norden <sup>6</sup>	Mar 1, 1996				
Lockheed Martin / Loral: Electronics Sector	Apr 23, 1996				
TOTAL					

ATTACHMENT

**Footnotes:**

1. The DoD share of estimated **restructuring costs** and savings at the time of **certification** are projected for a five year period only; however, **savings** are expected to continue beyond the five year period. Costs and savings amounts are shown on a **present value** basis.
2. Actual **experience** is the DoD share of **estimated** restructuring costs paid and **estimated** savings realized **as of** December 31, 1999.
3. Savings are gross **amounts**.
4. Costs and savings data relating **to the Vought Aircraft Company** portion of the business combination, which occurred on August 31, 1994, **cannot** be **segregated** from the costs and savings **related** to the Northrop / Grumman business **combination**, which occurred on April 18, 1994.
5. The Lockheed / **Martin Marietta restructuring was accomplished** in phases:
  - a. Electronics, **Information & Technology** Services; and Space & Strategic. Missile3 Sectors
  - b. **Corporate**
  - c. **Advanced Development Operations (ADO)**, Martin **Marietta Services. Inc. (MMSI)**, and **Lockheed Engineering & Services Company (LESC)**
6. Costs and **savings data relating to Northrop Grumman Cdrporatlon's acquisition of Westinghouse. Electric Corporation's Electronic Systems Group** and its **associated subsidiaries, including Norden Systems, which occurred on March 1, 1996, cannot be segregated from the costs and savings** related to **Westinghouse Electric Corporation's acquisition of Norden Systems,, Inc., which occurred on May 31, 1994.**

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**PART II**

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**For each business combination occurring on or after', August 15, 1994, for which DoD has paid restructuring costs, provide a discussion of whether' the business' combination would have proceeded without the payment of restructuring costs by DoD. This information should be requested from the contractor. Do not resubmit contractor, responses provided in previous reports.**